



*As reprinted from 01/31/2009*

### **State Treasurer discusses Arizona's deficit**

On the last business day of 2006, the Arizona state budget had \$2.3 billion in cash.

In the past two years, state spending has exceeded revenues creating a current deficit of \$1.68 billion, State Treasurer Dean Martin said at a presentation Friday night at Quail Creek.

Arranged by Rancho Sahuarita developer Bob Sharpe and Community Liaison Tom Murphy, Treasurer Martin's talk focused on the housing market, correcting the state deficit and the economic forecast.

The state budget has been in a steady decline since 2006 and Arizona construction employment is still dropping, Martin said.

"Homes were overvalued from January 2004 to January 2007. Prices doubled. [Approximately] 67,000 homes were built, but there was no demand. Supply and demand can't be ignored. Every time there's a foreclosure, you're adding to the supply," he explained.

Illustrating via a PowerPoint presentation how to read the economy, he showed a photograph of a Starbucks location before the recession — trash receptacles were filled to the brim with empty cups of \$4 coffee.

He compared that to photos of boarded-up Starbucks and said the company is closing 900 stores nationwide. In Arizona, only one location is projected to close.

Martin showed a slide of a boarded-up Starbucks, calling it a "recession," but called a boarded up McDonald's, where one can get coffee for 99 cents, a "depression."

He compared Arizona's economic cycle to a roller coaster — the ride starts out high and then there's the drop.

At the first turn, Martin explained, "People hear bad news and are happy ... the Dow is only down 300 points instead of 500. It hits bottom before starting to climb back up."

He projected Arizona's economy to hit bottom in the fourth quarter of this year and the recovery phase to start at the end of 2010, continuing through 2014.

The state's housing bubble burst in late 2006. Martin projected housing to hit bottom in the third or fourth quarter of this year and beginning a climb back up at the end of 2014.

What went wrong.

In 2007, the state's revenue was \$9.7 billion and the state spent \$9.6 billion. In 2008, the state's revenue was \$8.8 billion and spent \$10.6 billion.

"The governor's 2009 forecast was \$9.98 billion. The treasurer and leading economists forecast \$8.8 billion. For the 2008 budget, spending was off the rails. The Legislature should have gone into special session in July 2008 to rework the budget," Martin said, adding that the state has to get back to the 2006 budget.

He said that during the first half of fiscal 2009, which ended in December, the state was spending over \$28 million per day. During the first five months of the fiscal year (July thru November) the state collected an average of only \$22 million per day.

In a brief interview, Martin told the Green Valley News that the current deficit of \$1.68 billion happened in the past two years. The projected deficit for 2010 is \$3 billion.

"All state services will be impacted," Martin said. "There will be reductions to all state agencies. There's nothing specific yet. It's too early. Agencies will decide what gets cut in about a month. You can't spend more than you have. We must have a sustainable budget. That hasn't been so far."

Martin has opened government finances to the public and is a three-time "Freedom of Information Award" winner. Recent state budgets and charts used in his presentation can be found at [www.AzTreasury.gov](http://www.AzTreasury.gov).

**by Ellen Sussman**, a freelance writer in Green Valley.